



## PRIME MINISTER

TRANSCRIPT OF RADIO INTERVIEW WITH DON CHIPP, RADIO 3AK,  
CHANNEL 9 STUDIO, RICHMOND 15 March 1990

CHIPP: My big moment of the week, the Right Honorable  
Prime Minister of Australia, the Right Honorable R J  
Hawke, good morning Prime Minister.

PM: G'day Don.

CHIPP: How are you?

PM: Feel great thanks mate.

CHIPP: Gee you're looking well.

PM: Thank you very much.

CHIPP: Except for that scar on you elbow, how did you  
get that?

PM: I was having a game of tennis, the first in about  
three or four years with my old mate Singo, your mate,  
and went diving for a volley and took a bit of skin off.

CHIPP: You like to win don't you?

PM: Beats the hell out of losing mate.

CHIPP: Its more than that, it is almost a fanaticism  
with you isn't it, winning?

PM: I think it is an insult to yourself and to your  
opponent not to try to win.

CHIPP: And how do you feel after, if you lose?

PM: ... I just try to win next time.

CHIPP: I got beaten for the .... gift once by half an  
inch and I have no regrets whatsoever because I tried my  
hardest.

PM: Thats right, that is what I mean about trying to  
win. I mean I think it is an insult to yourself and your  
opponent not to try your hardest to beat him.

CHIPP: You have got a good opponent this time, he is  
coming up well as he did last time against you.

PM: Yes '84 I think was a pretty unreal sort of campaign, I think some, he'd set sort of expectations about this year which I think were rather unrealistic expectations.

CHIPP: You think you're ahead?

PM: I don't want to make that sort of assertion, just let me say this, that going back to your first point, I've tried my hardest, I've given it my best shot and we seem to be travelling pretty well Don and I will be going flat out until next Friday evening.

CHIPP: I don't know whether I represent the typical swinging voter out there in those marginal seats that are going to determine the winner. But to me the biggest issue by far is the foreign debt. In 1975 it was \$5 billion. In 1985, ten years later it had grown to \$67 billion and now in 1990 it is \$118 billion growing by about \$2 billion a month. Does your Government take any responsibility for this, after all you have been there most of the seven years, during the last seven years of your Government the major growth has taken place.

PM: Ok, let's look at what's happened in respect of the Government part of it. I have wiped it out. I, in the last three years, have done what no government has ever done before and that is had a surplus in the Government business, \$17 billion. We have used that \$17 billion to wipe out our debt, we are in fact now net credited at \$4.4 billion.

CHIPP: When you say we you mean the Commonwealth

PM: Commonwealth Government and we are net credited as far as the Australian people are concerned, through the Commonwealth Government, they owe not a cent we are net international creditors. 65% of the debt is in private hands, now let's understand what that means, it means that the private sector, enterprise in the private sector have made commercial decisions, they believe that they can with the decisions they have made, the borrowings they have made, can generate the income which will cover their debt. Look at the other side of it. Access economics, \$45 billion Don, \$45 billion of projects which they identify that are actually under way, or for which the actual commitment has been made and they say in respect of that \$45 billion it will generate \$5 billion per annum of foreign earnings. So it's been used to restructure Australian industry and earn us more income, that doesn't mean we should be complacent about it, but we are doing the things that are necessary from a Government's point of view to lower it.

CHIPP: I put to you that up to ten years ago I would agree with what you have just said, that that capital inflow or the private indebtedness, was private

investment coming in but isn't it true the last ten years has been essentially borrowings which has just been brought in to hold up the balance of payments on current account deficit.

PM: But it is borrowings which is being used. Borrowings which are being used to restructure Australian industry.

CHIPP: By Mr Bond and Mr Skase.

PM: And also, what about Mr Jackson for instance yesterday who just announced a massive profit. A man in an enterprise which is operating with spectacular success in Australia overseas, and who I might say made the observation that the industrial relations climate created by my Government is the best that it ever has been and which has been an important part of their success.

CHIPP: I will concede that your Government, per se, hasn't run up the debt but it has been run up by private enterprise during your tenure, now what a Government has got to do surely, is to set the economic climate that those private enterprises who did run up the debt can export more than we import as a whole over the past few years.

PM: OK lets look at what we have done as a Government in those circumstances and compare it by way of contrast to the Opposition. Three elements. Firstly, we have got a wages policy which has meant that Australian industry can become more competitive, a 12.2% reduction in unit labour costs which has meant in the last four years a 54% increase in the exports of manufactured goods - 54%, we are exporting now Don, we are exporting cars and car parts, Australia is, to Japan and the United States, unheard of before. Steel industry, you know, when I came to office in '83 BHP were going to shut down the steel industry, we now in this last year, three quarters of a billion dollars worth of steel exported overseas and in the next three years it is going to be trebbled. So we have got the wages policy which is ..., secondly, we have got our budget policy right, as I said to you just a moment ago \$17 billion surplus in the last three years. We have got the situation where the Government is reducing its calling on the savings of the community so that that has been available to the private sector, they don't have to call to the same extent now as a result of what I'm doing on the overseas market and thirdly, we have got the plan in place for the future for savings with superannuation. Don when I came to office superannuation ... \$17 billion, now \$100 billion and by the end of this decade \$6-700 billion. In other words, mobilising the savings of the community so that there will not be the need for Australian industry to call on overseas. Now in respect of each one of those the Opposition - hopeless.

CHIPP: Conceded that, but surely you would have to admit that in the field of removing restrictive work practices which are rampant in export industries like meat, like coal and many others, you haven't made the progress that you would like to.

PM: Absolutely wrong. Well no I'm sorry

CHIPP: Come on there is a meat factory just closed down here in Victoria through union practices.

PM: Wait a minute. Certainly we would like to have done more. Always, any Government would like to have done more than it has done and I don't condone restrictive work practices wherever they exist, but, what I am saying to you in terms of what we have done. I remind you of a challenge which I issued at the end of last year Don, and you are a man who likes challenges and you like challenges to be answered. I issued a challenge, a very specific one to the Opposition at the end of last year, we are talking about micro-economic reform. I said when I came to office 30 of the previous 33 years you mob ran this country, now I said to them, you point to me one period in your 30 years in office where you came within a bull's roar of doing in terms of micro-economic reform what I have done in seven years and Don that challenge was made at the end of last year and hasn't been answered, why, because they can't. The reform that we have brought about

CHIPP: It has been answered in terms of their alternative industrial relations policy

PM: No it hasn't

CHIPP: It is a policy it hasn't been tried I admit but it has been answered to that extent

PM: My challenge was you show me one point in your 30 years when you did anything which came within a bull's roar. In other words what I am saying is their record where they had 30 years and didn't do anything

CHIPP: But not look at the past, lets look at the future. Their industrial relations policy on paper

PM: Is a recipe for disaster.

CHIPP: Well who says so?

PM: Sir Richard Kirby. You heard him yesterday. Sir Richard Kirby said it is a recipe for disaster.

CHIPP: I wouldn't go that far

PM: I will tell you who else said it yesterday, Allan Jackson. Allan Jackson of BTR Nylex who just announced this over a billion dollar profit, one of the most

successful enterprises in this country and operates overseas as well and he said that the Hawke industrial relations policy had created the best industrial relations climate that they had ever had and that the Opposition policy didn't match it.

CHIPP: Well I'll give you a bit of music for a change Prime Minister. Sir Richard Kirby, former President of the Arbitration Commission, actually said that the wages accord which you struck with the ACTU was the greatest industrial relations triumph since 1907 Mr Justice Higgins set the basic wage. Look I come back to this debt. Look ordinary people are suffering and you know they are suffering and you have said you wouldn't make them suffer unless they had to suffer by high taxes, high interest rates, inflation

PM: What's this high taxes?

CHIPP: High taxes in terms, not in terms of what it was but 48 cents in the dollar is a high tax.

PM: Well lets come on. Lets do this tax thing in two ways. Firstly, lets look at what I have done and the simple fact is that you know because we have talked about it before. They walked out of office with a top rate of 60 cents in the dollar and a bottom rate of 30 cents in the dollar, why? Very simple Don, because they refused, they refused to get the tax from those with the greatest capacity to pay. Just let me Don give you one quote, because I know you will be appalled by it

CHIPP: But you are still comparing yourself with them. I'd rather you ... the question is naked and unadorned and tell me what, don't you agree

PM: I'm telling you what I'm doing, I'm telling you what I have done and what we will continue to do but it is legitimate in terms of pointing out what we have done when you talk about high taxes to show what we have done. This quote

CHIPP: In relation to the Liberals

PM: Yes but this quote that I give is one of the most damning indictments, one of the most damning indictments of our opponents. And this is not just about the past, this is about the future because this is what they would go back to. This is what Professor Russell Mathews said Don, just read this, this is what he said at the end of their period of office

CHIPP: Well he's hardly a left-wing radical is he?

PM: Thats right. He's certainly not a labor spokesman, he said this "the essential problem is to make the rich pay any income tax at all" now why? He was saying that why the essential problem to get the rich to pay any

income tax at all was you had the absence of a Capital Gains Tax. Now I brought the Capital Gains Tax in, which means that those with the greatest capacity to pay are paying. That is why in part we have been able to bring the top rate down from 60 cents in the dollar that they walked out of office with, 60 down to 47 and the lowest rate from 30 down to 21, because I'm making those with the capacity to pay, pay. Now that is the past and the present and what is the future? This mob are promising to take Australia back to the disaster of Australia being the country of the tax avoidance system and the rich not paying.

CHIPP: Point taken, point well made. I repeat I am paying too much tax Prime Minister. I have got a job New Year's eve reporting the election, every dollar I earn of that money I have got to pay 50 cents in the God damn dollar, now if that is not too high tax, tell me what is.

PM: I'll tell you. What if I give you the facts about the OECD, that in the whole of the OECD there are only three countries, only three countries, with a lower taxation regime than Australia. In other words we are the fourth lowest in terms of taxation impact in the OECD.

CHIPP: Ok you have made that point. I will leave high taxes out of this equation - I don't need it. High interest rates, inflation, tight monetary policy, many bankruptcies, now ordinary people are suffering and I am not suggesting, in the context of this question, that is your fault, what I am saying is, essentially, it is the fault of the high-flying greedy entrepreneurs who have been allowed to borrow billions of dollars overseas and that is why these ordinary people have got to pay high interest rates, that is why I have got to go into bankruptcy. It doesn't seem fair.

PM: Wait a minute. That is an over-simplification.

CHIPP: Its not to them

PM: Well let me put the point to you. What are the facts about growth? The facts about growth are these, that we have been having a rate of economic growth of 4.4% per annum which is twice as fast as it was before and in that last year Don which is relevant to this period you are talking about, we just had an explosion of demand and consumption. Consumption actually increased by 8%, now production only increased by 4%. Now that meant the imports were coming in at a level we couldn't sustain and so I had to have higher interest rates because if we hadn't had it the economy would have collapsed. Now you talk about the fellows that have collapsed, your Bonds and so on, but at the same time as they have been making decisions which have been commercially unsound apparently, your Allan Jackson's that I talk about and a whole host of your other

companies in Australia have been making sound decisions which are making the Australian economy more competitive. Out of all these imports that were coming in, a whole stack of them are going into making our Australian industry more competitive and enabling us to increase our exports. To have a situation Don, I know you are proud of it, I don't have to say you should be proud of it. Surely we are all proud of the fact that now Australia is exporting cars and car parts to Japan and the United States. That we are now exporting steel, when I came to office they were going to shut the steel industry down. Now they are exporting steel all over the world. Don, I went to an enterprise in Adelaide last year, just an Adelaide suburb, manufacturing optical lenses. Now I can't tell you how proud I was about that. We went in there and they told me we are exporting all over the world. The United States, the toughest market in the world, took it over 50% of the market. Now those things are happening as part of the restructuring of Australian industry.

CHIPP: Prime Minister you have got no argument from me that you should bring high interest rates down, you can't bring them down. Any other options you have got are all unpleasant, import restrictions, devaluing the dollar, they are just not on - I agree with you, I agree with your policy, but all I am saying is it just seems unfair to me that the ordinary guy out there is paying high interest rates on his mortgage just to pay for the extravagances and the indulgences of a few entrepreneurs who borrow too much overseas.

PM: That simply isn't right that that's why they were doing it. The level of demand is not simply the actions of one or two entrepreneurs, I mean if you look at the aggregates of the Australian economy it simply is not the case that why we have got high monetary policy is because a couple of people have blown their top. It just simply isn't true.

CHIPP: Given that high interest rates are necessary at the moment for the reasons that you have given, to dampen domestic demand, you have predicted a fall of interest rates, your opponent Mr Peacock, extraordinarily has predicted a massive fall - whatever that means

PM: He is trying to jump ..

CHIPP: Can you explain to me in simple language how with the balance of payments of \$2 billion a month in deficit, inflation in our country as high if not higher than most OECD partners, a monthly foreign exchange shortfall still haven't been met by borrowings, how in the name of God are you going to reduce interest rates in the next 12 months?

PM: Very simple. Let me tell you the basic economic reasons and then I will give you a couple of quotes from

within the banking industry to confirm what I am saying. The reason why interest rates can come down is very simple, is that the policies that we have had in place are working, that is the level of activity is coming down. We had to have high interest rates, as you understand and accept, to lower the level of activity, that is happening - the level of activity is coming down

CHIPP: But your car sales for January were a record

PM: I am telling you that the overall economic indicators Don show a decline in demand. If you look at the aggregate figures it shows a decline in demand recognised, no-one is arguing that, the Opposition is not arguing it that the decline in demand is happening. The second thing Don is that the price of money to the banks is declining, that was decided before the election started and the prime rates have started to come down. The cost of money to the banks is declining and as the cost of money to them declines so they will move to a position where the charge that they make for money that they lend will come down and so you have got the combination, the inter-related combination of facts of the lowering of the level of activity, the lowering of the cost of money to the banks will mean that it will come down. Just let me give you the quotes from within the last 24 hours. St George Building Society - the trends are still positive, a fall in interest rates the reasonable expectation. The ANZ Bank spokesman - the direction of change will be towards lower interest rates. These are the statements coming from within the banking industry on the basis of the fundamental economics that I have just put to you.

CHIPP: You do not resile from former statements that you do not rule out a fall in home mortgage rates before Christmas.

PM: Of course I don't.

CHIPP: Prime Minister do you mind if my salary is paid for by playing an ad now. Could you just ... for about one minute.

PM: I know you need the money.

CHIPP: Prime Minister, can you give me an unequivocal guarantee that if you win, and health permitting, you'll serve at least two thirds of the next Parliament?

PM: I can go further than that. I will serve the whole of the next Parliament, Don, and I've said this consistently and it's interesting what the environment is in which it's been necessary to repeat that, because paradoxically the reason it's coming up is because the Liberals have a leadership crisis. The Liberals have a leadership crisis and you know that. John Howard ousted by Andrew Peacock, unreconciled to it, who said he



doesn't trust him and so you've got this terrible pinch in there and they know there's a problem, they know there's a public perception of the Liberal Party that can't govern itself and therefore can't govern the country. So what's, they try and divert their attention in saying - oh, this bloke Hawke, you know, the mob seem to like him a bit so we'll try and create a furphy that you're not really voting for Bob Hawke you're voting for someone else. The fact is that I will run this full term ...

CHIPP: ... My question is fair because you, in my view would be absolutely entitled after serving two years at least in this term to say - well, look I'll give it away, I've got something else to do, but if you give a guarantee at least two thirds, but you've gone further than that, you've given ... three years out of the three.

PM: Yes.

CHIPP: Yes, well if you lose will you continue on in Parliament or will you resign?

PM: Look I just simply don't think we, we will lose and, you know, that's, that's a hypothetical, you know, I don't really prepare to go to. Can I ask you a question?

CHIPP: Well it's not an impossible situation is it?

PM: No, of course it's not.

CHIPP: I think it's fair to ask -

PM: Fair to ask.

CHIPP: Prime Minister of Australia if he loses the election, will he continue -

PM: Well I've indicated and the straight, fair and honest answer is this. I mean, that's hypothetical I simply say to you this. If that were to happen I would put myself in the hands of the Party and if the Party thought and if they pressed me to stay in those circumstances, I would consider it and if it were their judgement that they thought they could do better with someone else, I would gladly accept that. I mean, the Labor Party in those circumstances wouldn't find Bob Hawke scrambling and gnawing away to try and stay in office and I would simply say to them in that, what I regard as a hypothetical situation, I'd simply say to them - look, if you want me to stay on I'll think about it -

CHIPP: You go no further than that?

PM: Well, I mean, obviously -

CHIPP: Because you know Labor Party tradition and it's loyal to leaders and future, and former leaders.

PM: Yes ... but I would be in their hands. The Labor Party has been very good to me and I love the Labor Party and my position would simply be, Don, well if it's your wish that I stay on in those circumstances I would seriously consider it. I don't know that in the end that I would, but I would seriously consider staying on. But on the other hand if their judgement was in those circumstances they thought they could do better with someone else, that would have my wholehearted endorsement.

CHIPP: Prime Minister, in my judgement there's three big issues here in this election - the economy and high interest rates and whatever, the environment and health. Now health, could I just ask you what's wrong with me, Don Chipp. What's wrong with you allowing me to ... Medicare, Medicare levels, the levy, provided I give you evidence in my taxation return that I've taken out private health, private health care and that you make that private health care premium tax deductible. What's wrong with that?

PM: Well, we've been there, done that as a country. You know really what the answer to your question is because we had a situation where that concept was tried.

CHIPP: It was never compulsory though.

PM: Yes, but what happened, Don, is, if you look at the, if you look at the statistics that were brought out yesterday and published in today's paper, the estimate is that 25 percent of taxpayers paid half of the Medicare levy. They pay \$1.3 billion and the next 20 percent paid a quarter. In other words, those people who are best off in the community pay, as it would be expected, the greatest proportion of the Medicare levy. Now you allow those people to drop out in the way you're talking about and you just move straight back to the repetition of the situation I inherited when I became Prime Minister in 1983.

CHIPP: Except everybody would be insured, it would be compulsory -

PM: But you can't, you can't work it that way. What you're saying is really a repetition of what I inherited in '83. The concept that you'll allow people to, to opt out and the people that are best situated do that and you have, what I inherited, 2 million of my fellow Australians when I came to office, 2 million of my fellow Australians were uncovered, uncovered. Now that is an absurdity and that's why the overwhelming majority of Australians are in favour of the situation of Medicare. Why? Because it has the two features that the conservatives have never been able to bring in in all

their jumping and changing and hopelessness, the two features are universality, that means that not one of our fellow Australians, Don, not one of our fellow Australians has to fear the doctors' bill or the hospital bill.

CHIPP: So if they're knocked over in the street, no-one need fear they'd be let lay there. I happens in most States of America.

PM: Yes, well -

CHIPP: But both parties have got that in their policies haven't they?

PM: They've got what?

CHIPP: Universality.

PM: No, no they haven't. As far as, as far as the conservatives are concerned, they haven't got a policy. They haven't got a policy. They've been seven years in Opposition and you had Mr Shack getting up and saying two things, two things Don. Firstly he said and the words will be, you know, down in the tablets of political history won't they, he said the record of, he said the Liberals and National Party haven't got a particularly good record in health and I don't need to remind you, he said, of our period in Government. In other words he said their record was hopeless in Government and Opposition and the second thing he said, well we haven't got a policy yet, he said what we'll do if you elect us, we'll appoint a committee. They had seven years in Opposition, to get a, get a policy, they haven't got one and they've said well, we'll have a committee. You know who'll be on the committee? The representatives of the private health funds and the doctors and what a nice little, you know, ... they'll cook up between them, never have the interests of the, of the ordinary Australians at heart ...

CHIPP: Prime Minister, would you mind taking some calls? Our switchboard has lit up like a firestorm?

PM: Can I ask you a couple of questions first?

CHIPP: Do you fancy yourself as an interviewer?

PM: No I don't, but I mean -

CHIPP: You do, you know.

PM: You've said that publicly ...

PM: ... I'd like to do it yes.

CHIPP: I think that would be fascinating. You have in mind ... with the reputation you have worldwide that you could interview top, top world players, Gorbachev?

PM: I don't want to get into an argument about it, but ...

CHIPP: (inaudible)

PM: I don't want to ... but as Prime Minister -

CHIPP: ... your question?

PM: Well, just a couple.

CHIPP: Carlton's the answer and they're going to be Premiers.

PM: Couple of questions. Now look, you know, you founded the Democrats. What do you think of the idea of the Democrats which you set up to go in the Senate to keep the bastards honest, to ..., you know to quote that memoral phrase -

CHIPP: Well it kept you honest a few times.

PM: Yes, and you're a great bloke to deal with I must say.

CHIPP: Thank you.

PM: What do you think about the idea of the Australian Democrats contesting seats in the House of Representatives?

CHIPP: I've always been opposed to it because it puts the temptation before the candidates of the Democrats to be all things to all people. Now one of the things I used to love as a Democrat was that I only had to court 15 percent of the vote to get the balance in the Senate. If you have to go out ... the House of Representatives, then you've got to go soft on those pressure groups that I once despised. For example, the Reverend Fred Nile's a sincere bloke, but part of my, part of the few joys of my Parliamentary career was getting stuck into Fred. Now I couldn't do that if I was looking for a House of Representatives seat, the temptation and, to her credit, Janine Haines has resisted it to my knowledge, but the temptation would be to dip your principles just a wee bit.

PM: Could I ask you a second question? You founded the Democrats, I assume you'll vote the Democrats, but taking the ... particularly the issues like education, health and the environment, they're fundamentally important to the Democrats. Where would you say the second preference should go?

CHIPP: Well, that's - I'd find it intolerable if you pressed me for an answer on that because how I vote is my business and it would be totally improper of me as a broadcaster to be advising my listeners how to vote. All I'd say is this in response to your question. I think I'd be fairly confident in saying it - Democrats are thinking, sensible people. People who vote Democrat, they've thought about the issues, they've thought about the Parties and they cast their vote for a Democrat. They would then go through the policies of the other Parties, particularly the nuclear policies, particularly the health policy and particularly, more than anything else, the environment policy. I would have thought that the Democrat voters would give their second preference after voting Democrat to that Party that had the better environment policy, the better industrial relations policy and the better health policy.

PM: And there's no doubt which Party, that comes ... the Labor Party.

CHIPP: Well there is no doubt in your mind.

PM: (inaudible)

CHIPP: Sorry?

PM: Are you ...

CHIPP: No comment. Prime Minister, do you mind taking a call or two?

PM: I'd love to.

CHIPP: We go to Richard and for those of you calling in, we've got a firestorm on this switchboard. If you could keep your questions very brief, I'd be grateful. Richard of Doncaster, talk to the Prime Minister of Australia.

CALLER: Good morning, Don, Prime Minister. Thank you for this opportunity.

PM: Thank you Richard.

CALLER: All the obvious catastrophe, catastrophes of your Government concern me - high taxation, record high home loan interest rates, some of these in part have increased, this week through the banking system, record high business loans that I believe are directly contributing to business failures, 10,000 since Christmas ... and continuing high inflation, particularly by world standards one of the highest, and so on. So these all affect the average Australian standard of living. What really worries me, however -

CHIPP: Come to your question please.

CALLER: What really worries me is the absence of any plan or commitment by the Government to solve the root cause of these cancers on our way of life and that is the continuing horrific balance of payments position.

CHIPP: Alright, Richard, let's answer your questions and get rid of your mistakes and I'll do it in order. Taxation, you've already heard me talking to Don. The facts are the opposite of what you say. The facts are that when the conservatives walked out of office they walked out of office with a top rate of 60 cents in the dollar and the bottom rate of 30. I've reduced that 60 to 47 and the bottom one from 30 to 21 and as I pointed out to Don, and Don concedes, basically because I have made those with the greatest capacity to pay pay where it was a matter of choice before by having the capital gains tax which these people now say they'll take off and put billions of dollars back in the hands of less than one percent of the population which will mean very simply that ordinary people would pay more. The fact is that Australia is one of the lowest tax countries in the OECD. There are only three that have more. In regard to interest rates, record high. Untrue. 90 day bill rates reached 22 percent in April 1982 under the conservatives, they've never reached that under us. Inflation? When I came to office I inherited an inflation rate of 11 percent and we have brought it down from that. It has never reached 11 percent under us. So unfortunately, Richard, on what you've paraded are prejudices and not facts.

CHIPP: Helene from Carlton. Good morning, Helene.

CALLER: Good morning Don. Prime Minister, a lot of people are worried about the foreign debt and balance of payments and the influence these have on interest rates. In your policy speech you said a lot of interesting things in relation to your future Government - science, education and general social policies. While these are interesting in themselves, what impact if any can they in a practical sense really make on the economic issues which we're all so worried about?

PM: Well, Helene, let me make the point that in my policy speech that was not the only time during this election campaign where I've addressed the issues that you are talking about. And in fact we have three fundamental, three fundamental policies in place directed towards the question of our foreign debt problem. Now let me just go to them quickly and point out for each of them the position of our opponents is disastrous. I pointed out to Don, we've got a wages policy in place which gives predictable outcomes which means that our industry has become more competitive and you've heard me talk about the things that we are now exporting, the manufactured goods we couldn't before. Against that tight wages policy, against that, you've got the certainty of a wages explosion from, from our opponents

which would mean, again, not only in regard to foreign debt but in regard to the economy, disaster. Second, you've got the budget policies. I have produced \$17 billion surplus in the last three years which has wiped out, wiped out, eliminated the Commonwealth Government overseas debt. We are credited to the tune of \$4.4 billion. The policies of our opponents would dissipate the surplus, they've got a between \$6 and \$7 billion fiscal hold and they'd give billions of dollars back out of the capital gains. And third, superannuation. We have a savings plan for the future which the Liberals would destroy.

CHIPP: Des, from South Yarra. Good morning, Des.

CALLER: Good morning Don.

CHIPP: Talk to the Prime Minister.

CALLER: Mr Hawke, you've stated that high interest rates are needed to reduce spending. I want to make three points.

PM: Yes.

CALLER: The first is that before high interest rates affect the importer, which is the real spending you're trying to get at, they destroy the man in the street who can't pay his mortgage, the building industry that can't afford the ... costs, manufacturers have become uncompetitive and can't pay for their new machinery, exporters are no longer internationally competitive, farmers, retailers and so on. And the last person to be affected is the importer. Everyone else goes bust before them. The second point is that by stating ... strong economy you've proven you're incompetent of running a strong economy and what we want is a Government that can run a strong economy, not one that has to give us a poison pill ... high interest rates.

CHIPP: Des, we've got to leave it there.

PM: Let's deal with that. You're saying you destroy the export competitor. The fact is if that were so we would not have, as we've had over the last four years, a 54 percent real increase in the export of manufactured goods. We have a situation now where we're exporting steel to the world where before, after seven years of my opponents they were going to shut down the steel industry Des, we have a situation where we're exporting cars and car components to Japan and the United States. Not compatible with your prejudicial assertion that export competitiveness is being destroyed. I mean, it's a good idea when you're talking on these things to get rid of the prejudices and go to the facts. Now as regards the situation that you're talking about of people being destroyed, before you get to your, before you get to importers and it simply isn't the case. Let's look at

what has in fact happened about running a strong economy, that you can't run a strong economy. Just let me give you the facts. The rate of economic growth in the seven years of my Government and these are facts, not opinions, Des, so please write them down and remember them and substitute the facts for your prejudice. The fact is that the average rate of growth in real terms of GDP in the seven years of my Government, 4.4 percent against the 2.3 percent of the conservatives in their seven years, the rate of employment growth, Des, 3.5 percent per annum against their 0.7 percent per annum. In their last 12 months the economy went into its worst recession in 50 years with an additional quarter of a million people being found on the unemployment scrapheap. They destroyed the economy. Did what has never been done before in the history of this country, had simultaneous double digit unemployment and double digit inflation. We've rescued the economy and given a rate of employment growth which is twice as fast as the rest of the world. They're facts, facts, facts. So substitute facts for your prejudice, mate.

CHIPP: Thanks Des. Go to Norm from Doncaster. Good morning Norm.

CALLER: Good morning Don. Prime Minister, I'd like to ask you to clear up some confusion I have on capital gains tax.

PM: Yes.

CALLER: The Liberal Party advertisements from spokesmen quote some figures and percentages in relation to this tax, such as John Howard's ad strategy on four million Australians will be affected. Also the tax will be levied on people with salaries as low as \$35,000 and superannuation payments will be ... by the tax. I agree with the principle of the capital gains tax where people with capacity should pay, but I don't hear any clear rebuttals from the Libs, on the Liberals claims by Labor Party people. Mr Hawke, I'd like to ask your comments and a clear definition of Labor's policy on capital gains tax. Who will it affect and its impact on superannuation?

PM: Well, I'll tell you who it will affect. It will affect basically less than one percent of Australian taxpayers, basically less than one percent and those figures have now basically been accepted by Mr Peacock and Dr Hewson after they tried to waffle around in the first place. And as far as superannuation is concerned, the situation with it is the industry itself conceded through its major funds that, properly managed, superannuation funds can more than offset any tax impost by the ... of imputation credits. But just let me give you two quotes which will in fact tell you, Norm, why in fact we must have the capital gains tax in this country. And you've heard me, what I said to Don before, as to why



it was necessary to make the rich pay. But let me just quote from The Age and the Melbourne Herald. The Age - the principle the coalition is defending is the right of the rich to pay taxes only if they so choose. This principle is clearly abnoxious. And the Melbourne Herald, Norm, not one that's normally out there starving Labor policy - this is what they said at the end of last year - Mr Peacock proposes to turn back the clock and once again unleash the might of the legal accounting and financial professions in the drive to turn otherwise taxable income into tax free capital gains of five years standing. That is unacceptable, not only on equity grounds, said the Herald, but in terms of the very changes necessary to make Australia more competitive and more efficient.

CHIPP: Prime Minister, I'm sorry we've got to leave it there. The clock is rolling on to ten and we've got to go to the news. I want to tell you how honoured I am and grateful I am to you for appearing on the program.

PM: Don, it's been my ... pleasure to be with you and I thank you very much and to your listeners.

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